SPAR

Our Ascent

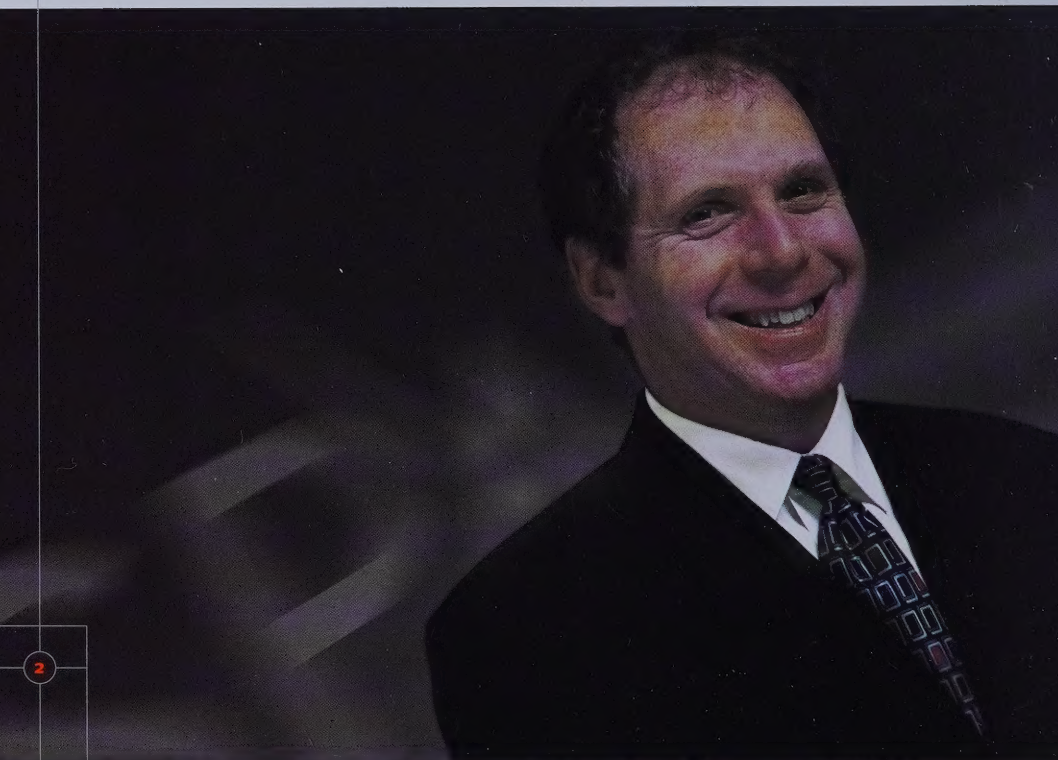
Planning

99

Annual Report

Table of Contents

1999 was a year in which we paused to assess our alternatives. This year **Spar** emerges with a **renewed** and **invigorated commitment** and sole **focus on aviation services.** We have the people, the technology, and the resources that poise us for growth in a market rich with opportunity.



Eric Rosenfeld
Chairman of the Board

March 2000

MESSAGE FROM THE CHAIRMAN

1999 was a notable year for Spar. At the May 1999 annual meeting, after joining the Spar Board as Chairman with four other new directors, we advised you that our mandate was to increase shareholder value.

To that end, we have distributed $4.35 per share by way of tax-efficient return of capital, established a policy of a $0.76 per share annual dividend, implemented a Normal Course Issuer Bid, and successfully settled a significant liability claim which had been outstanding for nearly four years. Additionally, we completed a thorough review of the Company's operating assets, liabilities and prospects.

The analysis of the operating assets convinced the Board that retaining and growing the aviation services business is the most effective method of delivering shareholder value. The Board is committed to the success of the Company and has the utmost confidence in Senior Management and the employees of Spar.

To all shareholders and employees of Spar Aerospace, I look forward to sharing another prosperous year with you.

Eric Rosenfeld

I am pleased to report that **1999 was the most profitable year in Spar's history.** It was also a year which saw Spar undergo a number of **positive changes.**

Spar's sole business is now Aviation Services—or rather, Spar *is* Aviation Services. From its inception, Spar has been involved in the aviation services industry. In fact, this is our legacy business—Spar was born from the Special Products and Applied Research Division of the deHavilland Aircraft company.

At our May 1999 annual meeting, the shareholders elected a new Board of Directors with Jim MacDonald and myself continuing along with five new directors. The new Board represents over 30 per cent of outstanding shares and for the first time in many years, the Board has a common interest with shareholders.

The new Board immediately initiated a formal review of Spar's value and business focus, in addition to returning capital to shareholders. The result of this review process was a renewed commitment to the aviation services business with the appointment of Anthony Caputo as President and a member of the Board of Directors, and Antonio Fernandez-Stoll as Chief Financial Officer.

The Board has instructed management to evaluate potential acquisitions and to grow the base business.

In summary, we are clearly focused and we have taken significant steps forward in 1999. Spar is a strong, profitable and competitive business. Our employees worked hard and effectively in 1999 to accomplish the record results we are reporting and we are appreciative of their efforts.

We look forward to building the business in 2000 and reporting back to you in the year 2001 on our further progress.

Colin D. Watson

MESSAGE FROM THE VICE-CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Colin D. Watson
Vice-Chairman and Chief Executive Officer

March 2000

Spar's vision is to be a global provider of life cycle management services for selected aviation equipment, while delivering superior value to its customers.

All of Spar's employees are committed to this vision.

Henning Jacobsen
Vincent Ko
Harley Ranson
Anthony Caputo
Antonio Fernandez-Stoll

Industry trends in Spar's lines of business are expected to remain positive, with commercial aircraft growth, increased outsourcing, changing regulatory requirements and reductions in defence spending continuing to impact Spar in a very positive way. Spar has built capabilities and developed offerings, which give it a strong competitive position.

The Lockheed C-130 Hercules is the world's transport workhorse. Spar performs maintenance, repair, and overhaul (MRO) for the Canadian Department of National Defence's (DND) fleet of C-130 aircraft, and other international military and commercial customers. Spar has developed an avionics update program for the C-130 Hercules that is being marketed to the world.

The Boeing 737 is one of the world's most popular commercial aircraft. Spar successfully entered the 737 business in 1997, and continues to expand its customer base and product and service offerings.

The Sikorsky S-61 Sea King is an adaptable helicopter which is widely used and capable of performing a variety of missions. Spar's competencies on the Sea King are unique, and work that began with the DND is now being exported worldwide.

In addition to growth in current lines of business, Spar will pursue acquisitions. The criteria are simple. An acquisition must add another aircraft model (or platform), and bring new markets while meeting strict financial considerations.

In order to execute the strategy, Spar has assembled a strong group of people including:

- Anthony Caputo, President, who has over twenty years' experience with Spar and the aviation services industry, is responsible for the Company's business strategy;
- Henning Jacobsen, Vice-President Business Development and Marketing, with twenty-five years' experience within the aerospace industry, is responsible for winning new business and customer service;
- Harley Ranson, Vice-President Operations, with thirty years' experience in aviation engineering and maintenance, is responsible for cost, schedule, and quality for all products and services;
- Vincent Ko, Vice-President Advance Programs, with fifteen years' experience within the aviation industry, provides critical new program planning and liaison between marketing, finance and operations;
- Antonio Fernandez-Stoll, Senior Vice-President Finance and Chief Financial Officer, with twenty-five years' experience in financial management, is responsible for finance and administration.

Aviation Services is Spar's legacy busines. With organic growth, acquisitions, and the dedication of its people, the business has been taken to new levels. Now that Aviation Services *is* Spar, this growth will accelerate.

Today's aircraft are expected to live longer and fly safer. **Maintenance and repair are constant priorities.**

The budgets prove it.

The market needs Spar.

MARKET TRENDS AND CHARACTERISTICS

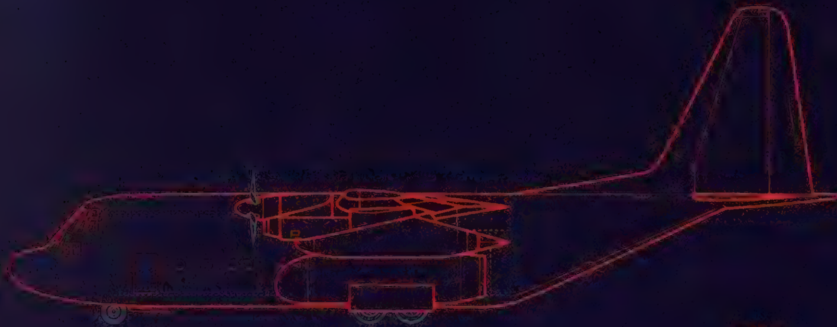
10% Money spent to dispose of an aircraft

70% Money spent to maintain an aircraft

20% Money spent to purchase an aircraft

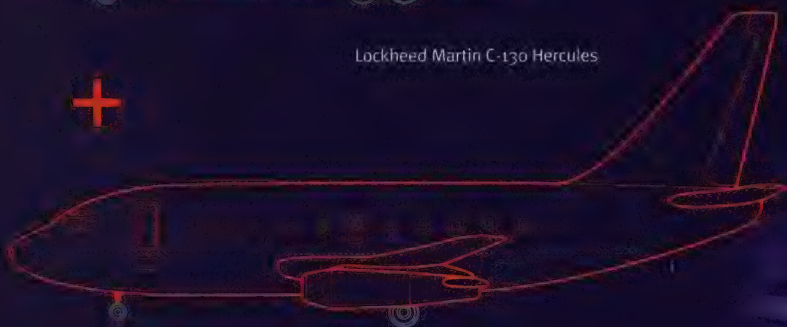
Spar is moving forward to take advantage of U.S. $2.5 Billion in life cycle services opportunities. We're focused **where the opportunities are strongest.**

OPPORTUNITIES



Lockheed Martin C-130 Hercules

+



Boeing 737

+

Sikorsky s-61/Sea King

+

Select Other Aircraft

= U.S. $2.5 Billion ++

- ✓ *Military*
- ✓ *Fixed Wing*
- ✓ *Commercial*
- ✓ *Rotary Wing*

No competitor offers **the high quality, complexity,** and **variety of Spar's services.** We already export our services worldwide.

Now we're fully focused on **global leadership.**

COMPETITIVENESS

- Commercial C & D Checks
- Aircraft Structural Modifications
- Avionics Modernization Packages
- Avionics Standardization Packages
- Aging Aircraft Structural Refurbishment
- Corrosion Control and Prevention
- B-737 Lap Joint Repairs
- Structural Engineering Design
- Avionics Engineering Design
- Damage Repair and Tracking
- Composite Structural Repairs
- Maintenance Planning
- Program Management
- Interior Refurbishment/Reconfiguration
- Painting
- Non-destructive Testing
- Wire Harness Design and Manufacturing
- Sheet Metal and Machined Parts Fabrication
- Calibration Lab
- ISO 9001
- JAR 145
- Transport Canada AMO
- Lockheed Service Center
- Aircraft Maintenance and Inspection Programs
- Program Depot Maintenance
- Quality Assurance Management
- Logistics Support Analysis
- Aircrew Training
- Technical Publications
- S-61 Main Gear Box MRO
- S-61 Intermediate Gear Box MRO
- S-61 Tail Gear Box MRO
- S-61 Main & Tail Rotor Heads MRO
- Full Load Dynamic Test Capability
- Hydraulic Component MRO
- Electrical Component MRO
- Flight Instrument Systems MRO
- Mechanical Accessory MRO
- Vibration & Stress Analysis
- Failure Trend Analysis
- Ground Support Equipment OEM and MRO

SERVICES COMPETENCIES CAPABILITIES

Our aviation business
has seen **many years of consistent profitability**
and **growth.**
Spar is built on a foundation of
proven success.

PAST SUCCESS


150
140
130
120
110
100
90
80
60
50
40
30
20
10
94
95
96
97
98
99
Revenue
Operating Profit

Our resources are in place:
**experienced management,
skilled workforce,
strong cash flow,
Board and shareholder
support.** Our vision is clear.
Our objectives are aligned.
Spar is positioned to be
an **industry leader.**

RESOURCES TO CARRY OUT MANDATE


Clear Vision and Aligned Objectives
E
F
Experienced Management
$ $ $ MM
Strong Cash Flow
UP
ON
VS
Board and
Shareholder Support
900
Skilled Workforce

FINANCIAL STATEMENTS AND REVIEW

Lines OF BUSINESS

Lines of Business

Spar is a well-balanced aviation company, providing a wide variety of services for both fixed wing and rotary wing aircraft for commercial and military customers. Spar has aligned its operations into three lines of business: Aircraft Programs, Component Maintenance, Repair and Overhaul, and Support Services.

Aircraft Programs

The Aircraft Programs group has facilities at the Edmonton International, Edmonton Municipal, and Calgary International airports. The Edmonton International facility specializes in military aircraft while the Calgary International and Edmonton Municipal facilities specialize in commercial aircraft MRO programs.

Spar is one of only 12 Lockheed Martin–approved Hercules Service Centers in the world. One of Spar's largest contracts is for the engineering support and depot level maintenance on the Canadian Armed Forces fleet of C-130 aircraft. This maintenance program includes a progressive structural inspection required to assure airframe airworthiness and continued operational readiness of Canada's C-130 aircraft fleet.

Spar is in the midst of delivering aircraft for the Avionics Update Project (AUP) which integrates new avionics, a flight management system, and a digital autopilot into the Canadian Forces' fleet of Hercules transport aircraft. The AUP program is beneficial to the Air Force because it extends the life of the aircraft, standardizes the cockpits which reduces training requirements, increases the safety of the aircraft, and reduces cockpit workload for the pilots. Spar teamed with Rockwell Collins on the AUP program for Canada and for five Royal Jordanian Airforce aircraft. Together, Spar and Rockwell Collins are bidding on several AUP programs around the world. Other international customers include the Brazilian, Mexican and Royal Australian air forces. Spar has proven capacity to provide one-stop overhaul and maintenance services to C-130 fleet owners including engineering and integrated logistics support such as design changes, technical publications, training and logistics support analysis.

Spar is a Transport Canada and FAA approved commercial aviation facility which provides complete end-to-end maintenance, paint, and avionics upgrades for several aircraft, in particular on the Boeing 737 airframe. Spar provides heavy maintenance or C-level and D-level checks as part of regular maintenance programs for several customers. As part of its airframe structural refurbishment program, Spar has completed several "lap-joint" repairs for Boeing 737 aircraft. Pursuant to an FAA airworthiness directive, lap joint repairs are mandatory for certain older models of the Boeing 737 aircraft. In the avionics arena, Spar sells several modernization packages, such as Global Positioning Systems, many of which are soon to be a requirement for any aircraft flying in international airspace. Airline operators are facing increased competition and a need to focus on reducing costs. With competencies on a variety of commercial aircraft, Spar is ready to meet the industry's need for nose-to-tail maintenance programs that provide quality, reliability, and aircraft availability.

Component Maintenance, Repair and Overhaul

The Component Maintenance, Repair and Overhaul business operates from Spar's facility in Mississauga, Ontario. This group specializes in the dynamic components of the Sikorsky S-61/ H-3 helicopter. Spar has performed the MRO on the dynamic components for the Canadian Forces' fleet of Sea King helicopters since 1986. Spar has added several international customers including the U.S. Navy, and the Brazilian and Royal Malaysian Air Forces. The U.S. Navy contract, signed in 1996, is significant in that it provides Spar with competency in the Series 24000 main gearbox, an upgraded, robust gearbox that several operators are considering.

In addition to dynamic components, Spar performs MRO on a variety of accessory components such as aircraft instruments, electrical power generators, and constant speed drives for several aircraft and helicopter configurations.

Support Services

Support Services provides specialized technical manpower to support customers' on-site maintenance requirements. At the Canadian Forces Aerospace and Telecommunications Engineering Support Squadron, located at the Trenton Air Force Base, Ontario, Spar provides scheduled aircraft inspection, specialty shop support, aircraft storage and activation, and inventory supply logistics.

Training and technical publication is a growing international business as the industry moves towards on-line, computerized multi-media publications, rather than hard copy manuals. The Support Services group provides technical publications for a variety of aircraft including the C-130 Hercules and CF-18 Fighter and Bombardier products. One of this group's largest tasks has been to prepare the training program for Canadian Forces aircrew and maintenance technicians who will operate and maintain the C-130 AUP Hercules aircraft.

Spar has a 20% equity interest in the International Aerospace Management Company (IAMCO) based in Venice, Italy with four other European firms. IAMCO manages the depot-level maintenance program for the NATO fleet of Airborne Warning and Control Systems (AWACS) fleet of Boeing 707 aircraft. Support functions include engineering and quality assurance, aircraft MRO (Component Maintenance, Repair and Overhaul), and subcontract management. Personnel from each of the five partner companies provide the subcontract management services. Spar personnel have managed each of the major functions within IAMCO and are using the associated experience to further develop complementary aircraft program businesses.

MD+A

Business of the Company

In 1999, the operations of the Company included the aviation services business and Space Robotics (to May 7, 1999), which in turn comprised several lines of business, based on end-products, services or markets. Spar's operations are primarily concentrated in North America with 8% (1998—11%) of revenues derived outside of North America.

On May 7, 1999, the Company sold the Space Robotics business unit to MacDonald, Dettwiler and Associates Ltd. (MDA). This divestiture completed the Company's plan to divest non-strategic portfolio holdings and implement its vision to become a pre-eminent provider of aviation services.

The 1998 operating results have been restated to present the Space Robotics business unit as a discontinued operation (see note 12 to the financial statements on page 46). The following summarizes the Company's comparative operating results.

($ millions)	99	98
Revenue	136.6	123.1
Gross margin	33.4	30.1
Capital expenditures, net	1.4	2.4
Total assets	178.2	167.6

The aviation services business contributed another year of strong revenue and cash flow growth while continuing to focus on its long-term business strategy: to capitalize on commercial outsourcing trends and defence department privatization programs; to expand existing capabilities to offer broadened customer services; and to expand operations internationally.

Spar is engaged in three principal lines of business: Aircraft Programs; Component Maintenance, Repair and Overhaul; and Support Services.

Aircraft Programs provides aircraft maintenance and system upgrades, for a variety of commercial and military aircraft, including the Boeing 737 and Lockheed Martin C-130 Hercules military transport. Aircraft Programs provides the Company with one of only twelve Hercules service centers located worldwide and the critical mass and reputation required to capitalize on outsourcing trends in the commercial and military aviation industry.

The Component Maintenance, Repair and Overhaul business continues to build on competencies gained from servicing Canadian Forces aircraft to increase its share in the global component maintenance market. In 1997, the Company signed a five-year contract with the U.S. Department of Defense for the repair and overhaul of components in use on the U.S. Navy's fleet of H-3 helicopters. The H-3 helicopter is similar to the Canadian Department of Defence fleet of Sea King helicopters that Spar has maintained for several years. In addition to Canadian and U.S. military customers, Spar provides component maintenance services to the Brazilian Navy and Royal Malaysian Air Force.

The Support Services business provides aircraft maintenance, technical publication services, storage and disposal, engineering, and related support services at the Canadian Forces Base in Trenton, Ontario, as well as seven other Air Force bases across Canada.

There are three major trends in the aviation services industry:

- Outsourcing: As operator companies (e.g., airlines) become increasingly focused on core competencies and defence departments face continued budget reductions, the demand for outsourced services is expected to increase;
- Industry consolidation: Operator companies are increasingly looking to companies that can provide an integrated line of services; and
- Aircraft growth and aging: The volume of passenger traffic continues to grow and the worldwide fleet of aircraft continues to increase in size and age.

These industry characteristics create growing market opportunities for an integrated aviation services company. In order to capitalize on these trends, Spar's primary short-term strategy is aggressive growth both within existing businesses and through acquisitions in the international arena. Critical to revenue and operating income growth within existing businesses is growing the Company's share of the commercial aircraft repair and overhaul business. To maintain market share and maximize growth, Spar is actively pursuing an aggressive international acquisitions strategy, as well as targeting partnering opportunities and global strategic alliances. The Company expects acquisitions and alliances to allow the business to meet three critical objectives:

- Gain market access to new customer groups;
- Acquire complementary competencies; and
- Gain scale that will allow the Company to pursue larger opportunities.

While the growth-through-acquisitions strategy adopted for the aviation services business creates significant opportunity, it also involves a measure of inherent risk. Specifically, a successful acquisitions strategy is contingent on the Company's ability to successfully identify synergistic targets, conduct thorough due diligence, and integrate acquired businesses seamlessly. Management has adopted specific measures to mitigate identified risks inherent in such a strategy. The continuing successful integration of prior acquisitions provides evidence that the adopted measures are functioning efficiently and effectively.

Spar's operating income percentage, before restructuring charges, increased to 13.5% of revenue in 1999 from 11.7% in 1998 primarily as a result of higher gross margins achieved in the Component Maintenance, Repair and Overhaul business.

Operating Results

Revenues increased 11.0% or $13.5 million to $136.6 million in 1999 from $123.1 million in 1998. Aircraft Programs revenues, included for eleven months in 1998, increased by 15.5% to $76.8 million in 1999 from $66.5 million in 1998, while revenue from heritage businesses increased by 5.7% to $59.8 million in 1999 from $56.6 million in 1998.

The growth in the revenue is attributable to the growth in the commercial business, both in terms of aircraft and helicopter components.

Gross margin increased $3.2 million to $33.3 million in 1999 from $30.1 million in 1998. As a percentage of revenue, gross margin remained constant at 24.4% for both 1999 and 1998.

Administrative and selling expenses remained constant at $18.3 million for both 1999 and 1998.

Depreciation and amortization increased by $1.1 million to $4.8 million in 1999 from $3.7 million in 1998. The increase was due to a full year's depreciation being taken on 1998 additions.

Operating income decreased by $9.4 million to a loss of $1.3 million in 1999 from income of $8.1 million in 1998. However, operating income before restructuring costs of $11.6 million increased by $2.2 million to $10.3 million in 1999 from $8.1 million in 1998, which was due to an improvement in gross margin.

Restructuring costs in 1999 of $11.6 million are the result of the consolidation and integration of the Corporate office and the streamlining and rationalization of product lines and facilities.

Interest income related to continuing operations increased to $5.0 million in 1999 as compared to $0.4 million in 1998.

The 1999 amount relates to interest earned on short-term deposits and on notes receivable, from the sale of ComStream shares, the sale of the Satellite Products business unit, and the sale of the Space Robotics business unit.

- 8%, $10.8 million note from the sale of ComStream shares in October, 1998, and repaid during the year;
- 5.5%, $15.0 million note from the sale of the Satellite Products business unit in January, 1999. $10.0 million of the notes are outstanding at December 31, 1999; and
- 8.0%, $31.5 million note from the sale of the Space Robotics business unit due on May 7, 2000.

The 1998 amount relates to interest on short-term deposits and on the note receivable from the sale of ComStream.

Income tax expense from continuing operations decreased by $0.8 million to $1.1 million from $1.9 million in 1998.

Amortization of goodwill, net of tax of $0.4 million (1998—$0.4 million), remained constant at 0.7 million for 1999 and 1998.

Gain on divestiture in 1999 totalled $56.2 million as compared to $1.2 million in 1998. The 1999 amount reflects the following transactions:

- $49.7 million net of taxes on the sale of the net assets of the Space Robotics business unit. Net proceeds of this transaction were $61.7 million and were received in the form of $31.5 million cash, subsequently reduced for working capital of $1.3 million, and a $31.5 million note due on May 7, 2000. The note bears interest at 8% per annum; and
- $6.5 million, representing a recovery of taxes from a previously divested U.S. operation and adjustments to the transactions costs and expenses pertaining to divestitures.

The 1998 net gain on divestitures, totalling $1.2 million, comprises the following:

- An $18.1 million net gain on the sale of Astro Aerospace Corporation to TRW Inc.'s Space & Electronics Group and the Satellite Products business unit to Electromagnetic Sciences Inc. (EMS). Aggregate proceeds related to the transactions totalled approximately $60.1 million which consisted of $50.1 million cash received in 1999 and two $5.0 million long-term convertible promissory notes due December 31, 2000 and December 31, 2001, respectively. The convertible promissory notes are due from EMS, bear interest at 5.5% per annum, and are convertible, any time, at Spar's option, into EMS common shares at specified prices ranging from $U.S. 22 to $U.S. 24 per share. The notes contain certain provisions which allow EMS to retract the notes upon notice of conversion subject to the payment of a premium equal to 50% of the difference between the market price of the common shares, if above $U.S. 25, and $U.S. 25 per share to a maximum premium of 50% of the face value of the notes;

- A $19.0 million loss on the sale of ComStream Corporation to Radyne Corp. Included in the loss is a $15.3 million disposal of goodwill;
- A $0.7 million gain on the sale of PRIOR Data Sciences Ltd. for cash proceeds of $15.0 million; and
- A $1.4 million gain on the sale of the Company's investment in Alouette Telecommunications Inc. for cash proceeds of $9.5 million.

Capital losses generated on the ComStream Corporation divestiture fully offset taxable capital gains generated on the sale of Astro Aerospace Corporation, PRIOR Data Sciences Ltd., and the Company's investment in Alouette Telecommunications Inc.

(See also note 12 to the financial statements.)

Loss from discontinued operations totalled $3.8 million in 1999 as compared to income of $24.1 million in 1998.

The 1999 loss from discontinued operations consisted of:

- $2.0 million of net income from the Space Robotics business unit earned to May 7, 1999, the date of disposal; and
- $5.8 million expenses arising from the settlement of certain lawsuits net of recovery of applicable taxes related to the prior year's divestitures.

The 1998 income from discontinued operations consisted of:

- $20.9 million of income, net of $4.6 million of income tax provision, earned by the Space Robotics business unit;
- $12.4 million of income, net of $2.0 million of income tax expense and related investment tax credits, from the settlement of contractual rights with Telesat Canada Inc.;
- $4.1 million of income, net of $2.1 million of related income tax expense generated by PRIOR Data Sciences Ltd., Astro Aerospace Corporation and the Satellite Products business unit; and
- $13.3 million of losses related to ComStream Corporation stemming from the combination of operating losses due to low sales volumes and write-downs of accounts receivable and inventories to their net realizable value.

(See also note 12 to the financial statements.)

Liquidity and Cash Flow

The Company ended 1999 with cash and cash equivalents of $34.4 million. This represents an increase of $21.0 million from 1998.

Cash flows from continuing operations of $22.0 million increased by $16.1 million from $5.9 million in 1998, which is a result of the decrease in income from continuing operations of $4.4 million adjusted for the restructuring charge of $11.6 million, an increase in future income tax expense of $7.4 million and an increase in other non-cash items of $1.5 million.

Net change in continuing operations non-cash working capital of $7.4 million consists of a decrease in non-cash current assets of $10.8 million, an increase in customer advance payments and unearned revenue of $5.4 million, and a decrease in accounts payable and accrued charges of $23.6 million.

Cash flows provided by (used in) discontinued operations of $9.0 million consists primarily of the tax expense of $8.8 million on the gain on the sale of the Space Robotics business unit, and a cash loss from discontinued operations of $3.8 million, net of a tax recovery of $3.3 million related to the recovery of taxes from a previously divested U.S. operation. Other adjustments using cash total $0.3 million.

Net change in discontinued operations non-cash working capital of $7.6 million represents a year-over-year decrease in accounts payable and accrued charges related to discontinued operations.

Return of capital to shareholders in 1999, net of $0.6 million of costs, totalled $50.4 million. This represents a tax-free return of capital of $3.35 per share to each shareholder of record as at June 1, 1999.

Issue of common shares in 1999 consists of the exercise of 205,820 stock options into 205,820 common shares for proceeds of $1.9 million.

Proceeds on divestitures in 1999 of $80.3 million consist of $30.2 million received from MDA on the disposal of the Space Robotics business unit, $30.6 million received from TRW Inc. on the sale of Astro Aerospace Corporation, and $19.5 million received from EMS on the divestiture of the Satellite Products business unit. The 1998 amount represents $15.5 million received on divestiture of ComStream Corporation, $4.5 million received on sale of ComStream Corporation's previously discontinued Satellite Global Access business unit and $15.0 million received on divestiture of PRIOR Data Sciences Ltd.

Balance Sheet

Accounts receivable increased by $0.9 million to $33.7 million in 1999 from $32.8 million in 1998, which is the result of a $4.5 million decrease in Aviation receivables offset by an increase in receivables assumed from divested businesses.

Notes receivable in 1999 include an 8%, $31.5 million note, due May 7, 2000, owing from MacDonald, Dettwiler and Associates Ltd. on the sale of the Space Robotics business unit and two 5.5%, $5 million notes, due December, 2000 and December, 2001, respectively, owing from EMS on the divestiture of the Satellite Products business unit. The December 2001 note receivable is classified as a long-term asset at December 31, 1999.

Inventories decreased by $6.7 million to $20.4 million in 1999 from $27.1 million in 1998. In 1998, at the Aircraft Programs facility, program-related inventory was received in advance of work performed on a particular program, accounting for the higher inventory level in 1998.

Accounts payable and accrued charges decreased $24.1 million to $41.5 million in 1999 from $65.6 million in 1998, primarily as a result of a decrease in transaction costs payable in 1999 related to divestitures.

Customer advance payments and unearned revenue increased $5.4 million to $14.3 million in 1999 from $8.9 million in 1998. The growth in customer advance payments relates primarily to the favourable milestone payments from the Avionics Upgrade Program.

Accrued benefit liability of $18.4 million relates to the adoption in 1999 of the new accounting recommendations for Employee Future Benefits, applied on a retroactive basis without restatement of prior periods. Pursuant to the new policy, in addition to pension plans, other post-employment benefits plans, such as health and dental care, earned by employees must be recognized in the period in which the employee has rendered services. The accrued benefit liability of $18.4 million at December 31, 1999, consists of $17.9 million pertaining to other post-employment benefit plans and $0.5 million to pension plans. (See also note 8 to the financial statements.)

Long-term debt of $3.5 million (including the current portion of $2.3 million) consists of unsecured, interest-free government loans repayable $2.3 million in 2000, $1.0 million in 2001, and $0.2 million in 2002.

Return of capital to shareholders. On June 9, 1999, the Company paid out, as a return of capital, $3.35 per share to each shareholder of record as of June 1, 1999. The return of capital, aggregating $50.4 million together with related costs of $0.6 million, has been charged as a reduction to share capital.

Subsequent to year end, on February 21, 2000, an additional return of capital of $1.00 per share (aggregating approximately $15.0 million) was paid to shareholders of record as of the close of business on February 16, 2000.

Repurchase of common shares. On December 29, 1999, the Company received regulatory approval from The Toronto Stock Exchange for a Normal Course Issuer Bid enabling it to make market purchases of up to 810,000 of its common shares during the period December 31, 1999 through December 30, 2000.

As at December 31, 1999, the Company had committed to repurchase 23,400 of its common shares under the Normal Course Issuer Bid.

As at February 21, 2000, a total of 475,000 common shares, including those committed to repurchase as at December 31, 1999, had been repurchased and cancelled.

Financing

The Company normally finances capital asset and working capital investments out of operating cash flow and bank borrowing. The nature of the Company's contracting for its fixed-price programs is such that programs are typically financed by customer progress payments based on costs incurred or milestones achieved. These factors allow the Company, in certain portions of its business, to operate on lower working capital levels relative to the volume of revenue.

In 1997, the Company negotiated a three-year term credit facility with a syndicate of Canadian chartered banks. Effective May 7, 1999, the terms of the facility were amended to provide for borrowings and letters of credit or letters of guarantee up to $20.0 million. At December 31, 1999, draws on the facility amounted to $11.9 million for letters of credit.

The Company expects to pursue additional acquisitions in the aviation services industry. Such investments will be financed through a combination of existing cash balances, debt, and future operating cash flows.

General Risks and Uncertainties

In the normal course of business, the Company operates in an environment that includes certain risks and uncertainties. Where applicable, discussion of risks and uncertainties is included in the preceding commentaries of each business segment. Risks and uncertainties applicable to the Company's business as a whole are as follows:

Fluctuations in Operating Results

The Company's revenues and earnings fluctuate from quarter to quarter, or year to year, based on customer requirements and timing of orders. The Company's operating results may fluctuate as a result of many factors, including increased competition, the size and timing of significant customer orders, changes in estimated costs at completion on long-term fixed-price contracts, cancellations of significant projects by customers, changes in operating expenses, personnel changes, foreign currency exchange rates, and general economic factors.

The Company's operating expense levels are based in significant part on its expectations regarding future revenues. Accordingly, the Company may be unable to adjust spending in a timely manner to compensate for any unexpected revenue shortfall. Any significant revenue shortfall could therefore have a material adverse effect on the Company's results of operations.

New Products and Technological Change

With the divestitures of ComStream Corporation, Astro Aerospace Corporation, the Satellite Products business, and the Space Robotics business, the Company is less exposed to markets characterized by rapidly changing technology, evolving industry standards, and frequent new product introductions.

Dependence on Key Personnel

The Company is highly dependent on the continued service of, and its ability to attract and retain, qualified technical and engineering personnel. The competition for such personnel is intense and the loss of particular persons, as well as the failure to recruit additional key technical personnel in a timely manner, could have a material adverse effect on the Company's business.

Exchange Rate

Normally, revenues are contracted in Canadian or U.S. dollars and the majority of costs are in the same currencies. The Company follows a policy of not speculating on exchange rates. It endeavours to minimize net foreign currency exposure in contracts by negotiating clauses that provide for price adjustment resulting from significant exchange rate changes and/or enters into exchange futures contracts designed to protect margins anticipated at the time of contract award. The potential for significant losses or gains due to exchange rate variations is reduced by these methods.

Year 2000

The Company experienced minimal impact due to Y2K-related activities; however, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the Company, including those related to customers, suppliers, or other third-party suppliers have been fully resolved.

Management's Responsibility for Financial Reporting

The accompanying financial statements of Spar Aerospace Limited and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material aspects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the financial statements.

The Company maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable, and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded. The Company has also established an appropriate code of business conduct policy which addresses relationships with customers, suppliers, and competitors; potential conflicts of interest; compliance with the law and confidentiality of company information. Management reviews this policy with employees annually and has procedures in place to assess compliance.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board, and all of its members are outside directors. The Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters, and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities and to review the annual report, the financial statements, and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

Financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with auditing standards generally accepted in Canada on behalf of the shareholders. Ernst & Young LLP have full and free access to the Audit Committee.

Signed	Signed
Colin D. Watson Vice-Chairman and Chief Executive Officer	Antonio Fernandez-Stoll Senior Vice President and Chief Financial Officer

Auditors' REPORT

To the Shareholders of Spar Aerospace Limited:

We have audited the consolidated balance sheets of Spar Aerospace Limited as at December 31, 1999 and 1998 and the consolidated statements of operations, retained earnings (deficit), and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in Canada.

Ernst & Young LLP

Chartered Accountants
Toronto, Canada
February 21, 2000

Consolidated Statements of Operations

For the years ended December 31, 1999 and 1998

($ thousands)	99	98
Revenues	$ 136,625	$ 123,137
Cost of revenues including all expenses except items shown below	103,274	93,005
Gross margin	33,351	30,132
Administrative and selling expenses	18,334	18,319
Depreciation and amortization (note 9)	4,753	3,684
Restructuring costs (note 11)	11,600	–
Total operating expenses	34,687	22,003
Operating (loss) income	(1,336)	8,129
Interest expense on long-term debt	–	(392)
Interest income	5,023	359
Other (expenses) income	(650)	136
Income from continuing operations before income taxes and amortization of goodwill	3,037	8,232
Income tax expense (note 5)	(1,097)	(1,916)
Income from continuing operations before amortization of goodwill	1,940	6,316
Amortization of goodwill, net of tax of $387 (1998–$359)	(751)	(696)
Income from continuing operations	1,189	5,620
Gain on divestiture or discontinuance of operations (note 12)	56,226	1,245
(Loss) income from discontinued operations (note 12)	(3,781)	24,135
Net income	53,634	31,000
Basic income per common share (in dollars)		
Income from continuing operations before amortization of goodwill	$ 0.13	$ 0.42
Income from continuing operations	$ 0.08	$ 0.38
Net income	$ 3.57	$ 2.08
Fully diluted income per common share (in dollars)		
Income from continuing operations before amortization of goodwill	$ 0.13	$ 0.42
Income from continuing operations	$ 0.08	$ 0.38
Net income	$ 3.27	$ 1.95

Consolidated Statements of Retained Earnings (Deficit)

For the years ended December 31, 1999 and 1998

($ thousands)	99	98
Deficit, beginning of year, as previously reported	$ (18,907)	$ (50,765)
Adjustment due to change in method of accounting for income taxes (note 5)	–	858
Adjustment due to change in method of accounting for employee future benefits (note 8)	(13,873)	–
Deficit, beginning of year, as restated	(32,780)	(49,907)
Net income	53,634	31,000
Retained earnings (deficit), end of year	20,854	$ (18,907)

(See accompanying notes to consolidated financial statements.)

Consolidated **Balance Sheets**

December 31, 1999 and 1998

($ thousands)	99	98
Assets (note 4)		
Current assets		
Cash and cash equivalents	$ 34,395	$ 13,401
Accounts receivable (note 2)	33,740	32,789
Notes receivable (note 12)	36,482	41,396
Inventories (note 2)	20,423	27,084
Prepaid expenses and other	723	943
Current assets of discontinued operations (note 12)	–	62,823
Total current assets	125,763	178,436
Capital assets, net (note 3)	23,364	25,629
Goodwill	18,555	20,412
Intellectual property	3,799	4,269
Note receivable (note 12)	5,000	–
Other long-term assets	1,738	1,676
Long-term assets of discontinued operations (note 12)	–	38,346
Total assets	178,219	268,768
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued charges	41,498	65,639
Customer advance payments and unearned revenue (note 2)	14,335	8,955
Current portion of long-term debt (note 4)	2,282	1,255
Current liabilities of discontinued operations (note 12)	–	64,164
Total current liabilities	58,115	140,013
Long-term debt (note 4)	1,180	2,207
Accrued benefit liability (note 8)	18,351	–
Long-term liabilities of discontinued operations (note 12)	–	16,690
Total liabilities	77,646	158,910
Commitments and contingencies (note 7)		
Shareholders' equity		
Share capital (note 6)	79,719	128,765
Retained earnings (deficit)	20,854	(18,907)
Total shareholders' equity	100,573	109,858
Total liabilities and shareholders' equity	$ 178,219	$ 268,768

(See accompanying notes to consolidated financial statements.)

On behalf of the Board:

Director
Spar Aerospace Limited

Director
Spar Aerospace Limited

Consolidated Statements of Cash Flow

For the years ended December 31, 1999 and 1998

($ thousands)	99	98
Operating activities		
Cash flows from continuing operations (note 9)	$ 22,049	$ 5,935
Net change in continuing operations non-cash working capital	(7,396)	(1,366)
Cash flows (used in) from discontinued operations (note 9)	(8,992)	5,016
Net change in discontinued operations non-cash working capital	(7,619)	(9,901)
Cash used in operating activities	(1,958)	(316)
Financing activities		
Return of capital to shareholders	(50,992)	–
Long-term debt	–	(18,230)
Issue of common shares	1,946	–
Cash used in financing activities	(49,046)	(18,230)
Investing activities		
Long-term note receivable	(5,000)	–
Proceeds on divestitures	80,348	34,955
Additions to capital assets, continuing operations	(1,443)	(2,417)
Other investing activities	(637)	24
Acquisition (note 13)	–	(57,500)
Proceeds from sale of long-term investments, discontinued operations (note 12)	–	9,498
Additions to capital assets, discontinued operations (note 12)	(1,270)	(13,224)
Investments, discontinued operations	–	(5,734)
Cash provided by (used in) investing activities	71,998	(34,398)
Increase (decrease) in cash and cash equivalents	20,994	(52,944)
Cash and cash equivalents, beginning of year	13,401	66,345
Cash and cash equivalents, end of year	34,395	$ 13,401
Cash and cash equivalents consist of:		
Cash	4,017	1,197
Short-term deposits	30,378	12,204
	$ 34,395	$ 13,401

(See accompanying notes to consolidated financial statements.)

Notes TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies

The accompanying financial statements consolidate the accounts of Spar Aerospace Limited (the "Company") and its subsidiaries. During 1999, the Company divested the Space Robotics business unit (see note 12). During 1998, the Company divested all of its significant wholly owned subsidiaries including ComStream Corporation ("ComStream"), PRIOR Data Sciences Ltd., and Astro Aerospace Corporation as well as the Satellite Products business unit. The accounts of these subsidiaries and other business units which have been discontinued have been classified as discontinued operations (see note 12). The December 31, 1999 and 1998 consolidated balance sheets and consolidated statements of operations and cash flow for the years then ended have been reclassified to reflect the discontinued operations. The consolidated statements of operations and cash flows for the years ended December 31, 1999 and 1998, consolidate only the results of operations and cash flows for its subsidiaries for those periods where the Company owned such subsidiaries.

These consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada consistently applied within the framework of the accounting policies summarized below. Because a precise determination of many assets and liabilities depends on future events, the preparation of financial statements necessarily involves the use of management's estimates and approximations.

(a) Measurement uncertainty

The preparation of these consolidated financial statements requires management's best estimate related to events whose outcome will not be fully resolved until future periods. The preparation of these financial statements is based on management's estimates of revenues and the costs required to complete the projects. Revenues under such contracts may include incentive payments for specified performance, and costs may include performance-related penalties. The amounts recorded for facility restructuring and provisions for costs related to business discontinuance and divestiture by their nature are subject to measurement uncertainty. Revisions to the estimates used in the preparation of these financial statements could have a material impact on financial results of future periods.

(b) Revenue recognition

On long-term contracts, revenue is accrued using the percentage of completion method relative to total costs or labour hours incurred as the work is performed. A provision is made for the total anticipated loss when the estimate of total costs on a contract indicates a loss. Revisions in cost and profit estimates during the course of the work are reflected in the period in which the need for the revision becomes known. Some contracts contain incentive and/or penalty provisions based on performance relative to established targets. Such awards or penalties are included in revenue or cost estimates when amounts can reasonably be determined. Contract costs and related profit margins in excess of amounts billed are included in accounts receivable. Amounts billed in excess of contract costs and related profit margins are included in customer advance payments and unearned revenue.

All other revenue is recognized at the time products are shipped or services are rendered to the customer.

A provision for potential warranty claims is provided for at the time revenue is recognized, based on warranty terms and claims experience.

(c) Employee benefit plans

Effective January 1, 1999, the Company adopted the new recommendations of The Canadian Institute of Chartered Accountants with respect to accounting for Employee Future Benefits on a retroactive basis without restatement of prior periods. The cost of pensions and other retirement benefits earned

by employees is determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation and retirement age of employees. The discount rate used to determine the accrued benefit obligation was determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments. For purposes of calculating the expected return on plan assets, those assets are valued at fair value. The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service life of active employees. When the restructuring of a benefit plan gives rise to both a curtailment and settlement of obligations, the curtailment is accounted for prior to the settlement.

(d) Income taxes

Effective January 1, 1998, the Company adopted the new recommendations of The Canadian Institute of Chartered Accountants with respect to accounting for income taxes. Under the new recommendations, the liability method of tax allocation is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. Prior to the adoption of the new recommendations, income tax expense was determined using the deferral method of tax allocation where future tax expense was based on income and expense that were reported in different years in the financial statements and tax returns and was measured at the tax rate in effect in the year the difference originated.

(e) Earnings per share

Earnings per share has been calculated on the basis of net income for the year divided by the daily weighted average number of common shares outstanding during the fiscal year. The calculation of fully diluted earnings per share assumes that, if a dilutive effect is produced, all outstanding options had been exercised at the later of the beginning of the fiscal year and the option issue date, and includes an allowance for imputed earnings derived from the investment of funds which would have been received.

(f) Inventories

Inventories of components and purchased parts and work in progress are valued at the lower of cost (on a weighted average cost basis), and market value, being replacement cost.

(g) Capital assets

Additions to capital assets are recorded at cost after deducting investment tax credits and government assistance. Depreciation and amortization are generally provided using the straight-line method to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	5%
Leasehold improvements	Term of the lease plus renewal option, if applicable
Machinery and equipment	10% to 33-1/3%

(h) Goodwill

The Company has adopted new disclosure standards issued by The Canadian Institute of Chartered Accountants in October, 1999, in respect of goodwill charges. Goodwill charges are now presented in the consolidated statements of operations after income tax expense. Accordingly, the comparative consolidated statements of operations have been reclassified to conform to the new standard.

The excess purchase price paid on the acquisition of businesses over the fair market value assigned to identifiable net assets acquired is allocated to goodwill. Goodwill is stated on the basis of cost less accumulated amortization and is being amortized on a straight-line basis over 20 years. As at December 31, 1999, accumulated amortization totalled $2,392,000 (1998—$1,174,000). On an ongoing basis, management reviews the valuation and amortization of goodwill, taking into consideration any events, circumstances, or trends which might have impaired its value. The amount of goodwill impairment, if any, is based on projected future results. The Company believes no impairment exists at December 31, 1999, except as disclosed in note 11.

(i) Intellectual property

Intellectual property is stated on the basis of cost less accumulated amortization and is being amortized on a straight-line basis over 10 years. As at December 31, 1999, accumulated amortization totalled $901,000 (1998—$431,000). On an ongoing basis, management reviews the valuation and amortization of intellectual property, taking into consideration any events, circumstances, or trends which might have impaired its value. The amount of impairment, if any, is based on projected future results. The Company believes no impairment exists at December 31, 1999.

(j) Long-term investments

Long-term investments are carried at cost, unless in the Company's view it has suffered a loss in value of the investments that is other than temporary.

(k) Foreign currency exchange

Transactions denominated in foreign currencies are translated into Canadian dollars at the approximate rate prevailing at the date of the transactions. Monetary assets and liabilities in foreign currencies are translated at rates prevailing at year end. Non-monetary assets and liabilities and related income statement charges are translated at historical rates. Foreign exchange gains and losses are included in net income for the year.

Foreign operations, substantially all of which were discontinued during 1998, were considered integrated (financially and operationally dependent on the parent) and were translated into Canadian dollars using current rates of exchange for monetary assets and liabilities. Historical rates of exchange are used for non-monetary assets and liabilities and average rates for the year for revenue and expenses. Gains or losses resulting from these translation adjustments are included in income (loss) from discontinued operations.

(l) Stock-based compensation plan

The Company has one stock-based compensation plan which is described in note 6. No compensation expense is recognized for this plan when stock or stock options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital. If stock or stock options are repurchased from employees, the excess of the consideration paid over the carrying amount of the stock or stock option cancelled is charged to retained earnings.

(m) Statement of cash flows

The Company has retroactively adopted the new cash flows statement recommendations of The Canadian Institute of Chartered Accountants. Accordingly, the comparative consolidated statement of cash flows has been restated to exclude non-cash investing and financing activities. Cash equivalents comprise only highly liquid short-term investments with original maturities of less than ninety days.

2. Inventories

Inventories consist of the following:

($ thousands)	99	98
Components and purchased parts	$ 15,698	$ 18,960
Work in progress	4,725	8,124
	$ 20,423	$27,084

Amounts billed in excess of contract costs and related profit margins of $14,335,000 (1998—$8,955,000) are included in customer advance payments and unearned revenue.

Contract costs and related profit margins in excess of amounts billed of $2,265,000 (1998—$6,103,000) are included in accounts receivable.

3. Capital assets

Capital assets consist of the following:

($ thousands)	Cost		Accumulated Depreciation and Amortization		Net Book Value	
	99	98	99	98	99	98
Buildings and leasehold improvements	$ 15,911	$ 15,533	$ 2,845	$ 1,936	$ 13,066	$ 13,597
Machinery and equipment	22,007	21,470	11,709	9,438	10,298	12,032
	$ 37,918	$ 37,003	$ 14,554	$ 11,374	$ 23,364	$ 25,629

4. Long-term debt

The Company's long-term debt consists of the following:

($ thousands)	99	98
Unsecured interest-free government loans with annual principal repayments not exceeding $1,255 maturing in 2002	$ 3,462	$ 3,462
Less: current portion	2,282	1,255
	$ 1,180	$ 2,207

Long-term debt is repayable as follows:

($ thousands)	Total
2000	$ 2,282
2001	1,020
2002	160
	$ 3,462

The current portion of the long-term debt at December 31, 1998, in the amount of $1,255,000 was repaid in January, 2000.

The estimated fair value of these government loans is approximately $2,400,000 at December 31, 1999 (1998 — $3,000,000).

Bank Debt

In 1997, the Company negotiated a three-year term credit facility with a syndicate of Canadian chartered banks. Effective May 7, 1999, the terms of the facility were amended to provide borrowings up to $5 million and $15 million available for letters of credit or letters of guarantee. Under certain conditions, the Company can transfer availability between the letter of credit facility and the borrowing facility. Borrowings under this facility are available at prime, U.S. base rate, Canadian bankers' acceptance rates, and U.S. LIBOR rates plus the applicable grid pricing percentage.

The credit facilities are collateralized by a first ranking charge over and security interest in substantially all of the assets and undertakings of the Company.

As at December 31, 1999 and 1998, no borrowings were outstanding under this credit facility (see also note (7b)).

5. Income taxes

Effective January 1, 1998, the Company adopted the new recommendations of The Canadian Institute of Chartered Accountants with respect to accounting for income taxes. Prior years' financial statements have not been restated. The cumulative effect, as of January 1, 1998, of adopting the recommendations increased 1998 opening retained earnings by $858,000.

Significant components of the Company's future tax assets and liabilities are as follows:

($ thousands)	99	98
Future tax assets:		
Deferred revenue on long-term contracts	$ 3,123	$ 9,092
Non-deductible provisions	7,169	6,074
Capital assets	909	1,915
Other	1,120	1,438
Total future tax assets	12,321	18,519
Future tax liabilities:		
Deductible goodwill	(5,209)	(5,046)
Investment tax credits recognized for book purposes	(929)	(2,177)
Total future liabilities	(6,138)	(7,223)
Net future tax assets	$ 6,183	$ 11,296

Significant components of the provision for income taxes attributable to continuing operations are as follows:

($ thousands)	99	98
Current income tax expense (recovery)	$ (3,079)	$ 5,174
Future income tax expense (recovery) relating to origination and reversal of temporary differences	4,176	(3,258)
Income tax expense from continuing operations before amortization of goodwill	1,097	1,916
Tax benefit of deductible goodwill included in goodwill charges	(387)	(359)
Income tax expense from continuing operations	$ 710	$ 1,557

The reconciliation of income tax attributable to continuing operations computed at the statutory tax rate to income tax expense is as follows:

($ thousands)	99	98
Canadian statutory income tax rate	45.0 %	45.0 %
Income tax expense prior to the following:	$ 1,367	$ 3,704
Permanent differences	(2,454)	1,243
Manufacturing and processing deduction	(33)	(880)
Benefit of tax losses recognized	–	(722)
Large corporations tax	564	107
Other	1,653	(1,536)
Income tax expense from continuing operations before amortization of goodwill	$ 1,097	$ 1,916
Tax benefit of deductible goodwill included in goodwill charges	(387)	(359)
	$ 710	$ 1,557

In addition, the Company and its subsidiaries recorded tax expense related to divestitures and discontinued operations of $8,995,000 (1998—$9,637,000).

The Company recognizes as future tax assets the benefit of investment tax credits and capital loss carryforwards to the extent it is more likely than not that the benefit will be realized. At December 31, 1999, the Company has available Canadian investment tax credits of approximately $67,000,000 which expire between 2000 and 2008 and capital losses of $105,000,000 which can be carried forward indefinitely for which no future tax asset has been recognized in the financial statements. In 1999 and 1998 a full valuation allowance has been recorded against the future tax assets related to the unused investment tax credits and non-capital losses.

Government investment tax credits of $1,750,000 (1998—$3,900,000) have been included in the determination of operating income (loss). In addition $1,750,000 (1998—$10,200,000) has been included in discontinued operations.

6. Share capital

Common Shares

Authorized - unlimited	Number of Shares	$ Thousands
Issued and outstanding December 31, 1998 and 1997	14,923,376	$ 128,765
Issued for cash on exercise of options	205,820	1,946
Return of capital to shareholders (including costs of $550)	–	(50,992)
Issued and outstanding December 31, 1999	15,129,196	79,719

The weighted average of daily common shares outstanding during the year is:

	Number of Shares 1999	Number of Shares 1998
Basic	15,027,327	14,923,376
Fully diluted	16,539,047	16,185,081

Return of Capital to Shareholders

On May 13, 1999, the shareholders approved a reduction and return of capital of $3.35 per share (approximately $50,442,000 in aggregate together with related costs of $550,000) at a special meeting of the shareholders. The return of capital was made to shareholders of record as of June 1, 1999. The payment was made on June 9, 1999.

Repurchase of Common Shares

Subsequent to year end, on January 28, 2000, the shareholders approved a reduction and return of capital of $1.00 per share (approximately $15.0 million in aggregate) at a special meeting of the shareholders. The return of capital was made to shareholders of record at the close of business on February 16, 2000. The payment was made on February 21, 2000.

On December 29, 1999, the Company received regulatory approval from The Toronto Stock Exchange to purchase up to 810,000 of its common shares by way of a Normal Course Issuer Bid. The issuer bid commenced on December 31, 1999 and will terminate on December 31, 2000.

As at December 31, 1999, the Company had committed to repurchase 23,400 of its common shares under the Normal Course Issuer Bid.

As at February 21, 2000, a total of 475,000 common shares, including those committed to repurchase as at December 31, 1999, had been repurchased and cancelled.

Preferred Shares and Junior Preferred Shares

Authorized—10,000,000 Preferred Shares and 20,000,000 Junior Preferred Shares;
Issued and outstanding—none

Such classes of shares may be issued in one or more series with such designations, preferences, rights, privileges, restrictions, and conditions attached as may be determined by the directors.

Stock Option Plan

At December 31, 1999, 1,511,720 (1998—1,380,709) common shares were reserved for issuance related to stock options issued to certain employees, current and former officers and directors.

During 1999, officers and employees were indebted to the Company in the amount of $650,650 under the employee share purchase loan program. These loans are non-interest bearing, and have a five-year term. Shares of the Company purchased from the loan proceeds are provided as collateral for the loans.

A summary of the Company's stock option plan as at December 31, 1999 and changes during the year is presented below:

Stock Option Plan	1999 Shares	Weighted Average Exercise Price	1998 Shares	Weighted Average Exercise Price
Outstanding, beginning of year	1,261,705	* 8.78	1,400,640	$ 12.22
Granted	532,675	7.71	149,655	10.00
Exercised	(205,820)	9.46	–	–
Cancelled	(72,760)	12.80	(29,380)	15.78
Expired	(4,080)	12.28	(259,210)	16.15
Outstanding, end of year	1,511,720	8.58	1,261,705	12.64
Options exercisable at year end	808,425		918,278	

* The weighted average exercise price is presented after giving effect to the repricing of options since the beginning of the year as a result of the return of capital to shareholders in 1999.

The following table summarizes information about the stock options outstanding at December 31, 1999:

Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 6.56–$ 7.40	592,370	6.6	$ 7.18	180,187	$ 7.13
$ 7.46–$ 9.37	708,410	4.3	$ 8.96	430,878	$ 9.04
$ 10.41–$ 13.27	210,940	1.7	$ 11.26	197,360	$ 11.13
	1,511,720			808,425	

Shareholder Rights Plan

The Company has in place a Shareholder Rights Plan (the "Rights Plan") to ensure that any takeover bid made for the shares of the Company shall be made to all shareholders, shall treat all shareholders fairly and equally and shall provide the Board of Directors with sufficient time to consider any such offer. At the Annual and Special Shareholders' Meeting held on May 13, 1999, the shareholders approved amendments to the Rights Plan to provide, among other things, that the Rights Plan will expire at the 2000 Annual Shareholders' Meeting unless renewed at that meeting.

The Rights Plan grants to shareholders the right to acquire, under certain circumstances, additional common shares (within a specified dollar maximum) at a 50% discount from its then current market price. The Company at its option may redeem each right at a nominal price or waive application of the Rights Plan. In addition, in certain circumstances, any person who acquires more than 50% of the Company's common shares pursuant to a takeover bid for all of the outstanding common shares of the Company and any shareholder or shareholders who hold more than 50% of the outstanding common shares of the Company may require the Company to redeem all rights for a nominal amount.

7. Commitments and contingencies

(a) Lease Commitments

The future minimum payments under facilities operating leases aggregate $10,876,000 with payments for the next five years as follows:

($ thousands)	Annual Rental
2000	$ 1,105
2001	1,118
2002	1,106
2003	1,105
2004	1,075

(b) Letters of credit and guarantee

The Company is contingently liable under letters of credit in the amount of $11,915,332 related primarily to future supplemental executive retirement plan benefits. These letters of credit have been issued pursuant to the Company's bank facilities (see note 4).

(c) Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date to the year 2000 has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the Company, including those related to customers, suppliers, or other third parties have been fully resolved.

(d) AMSC lawsuit

On July 6, 1999, the Company reached an agreement to settle all outstanding litigation in the case of AGF Reassurances *et al* versus the Company for $U.S. 15.0 million. The loss from discontinued operations during 1999 includes a $CDN 5.2 million charge associated with this settlement. This $CDN 5.2 million charge consists of the $U.S. 15.0 million settlement paid in 1999 offset by a provision release of $CDN 14.0 million and an income tax recovery of $CDN 3.0 million.

(e) Other legal matters

The Company is involved in various lawsuits and other contingencies arising from discontinued and divested businesses. In the opinion of management, the ultimate resolution of these claims and lawsuits will not have a material adverse effect upon the financial position of the Company.

8. Pension and retirement plans

The Company has sponsored several defined benefit (contributory and non-contributory) pension arrangements providing pension, other retirement and post employment benefits to most of its employees. The Company uses actuarial reports prepared by independent actuaries for funding and accounting purposes. The following significant actuarial assumptions were used to determine the periodic pension expense and the accrued benefit obligations.

The cumulative effect of adopting the new recommendations of the CICA as of January 1, 1999 with respect to accounting for Employee Future Benefits decreased 1999 opening retained earnings by $13,873,000.

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows:

Actuarial assumptions	Pension Benefit Plans January 1, 1999	Pension Benefit Plans December 31, 1999	Other Benefit Plans January 1, 1999	Other Benefit Plans December 31, 1999
Discount rate	6.5%	7.0%	6.5%	7.0%
Expected long-term rate of return on plan assets	7.0%	7.5%	n/a	n/a
Rate of compensation increase	4.0%	4.0%	4.0%	4.0%

Other Benefit Plans

Health and dental care costs are assumed to increase 8% and 4%, respectively, for 2000. The rate of increase of healthcare costs is assumed to decrease to 4.5% after four years. The rate of increase of dental care costs is assumed to be 4.5% per annum.

Information about the Company's defined benefit plans is as follows:

ACCRUED BENEFIT OBLIGATION-1999

($ thousands)	Pension Benefit Plans	Other Benefit Plans	Total
Balance, beginning of year	$ 72,785	$ 17,615	$ 90,400
Current service cost	1,824	213	2,037
Interest cost	4,071	1,047	5,118
Contributions	458	–	458
Actuarial gains	(1,408)	(290)	(1,698)
Benefits paid	(5,021)	(979)	(6,000)
Divestitures	(11,244)	–	(11,244)
Balance, end of year	$ 61,465	$ 17,606	$ 79,071

PLAN ASSETS-1999

($ thousands)	Pension Benefit Plans	Other Benefit Plans	Total
Fair value, beginning of year	$ 77,823	$ –	$ 77,823
Actual return on plan assets	2,756	–	2,756
Employer contributions	3,999	–	3,999
Employee contributions	458	–	458
Benefits paid	(5,021)	–	(5,021)
Divestitures	(16,226)	–	(16,226)
Fair value, end of year	$ 63,789	$ –	$ 63,789

FUNDED STATUS-PLAN SURPLUS (DEFICIT)-1999

($ thousands)	Pension Benefit Plans	Other Benefit Plans	Total
Funded status-plan surplus (deficit)	$ 2,324	$ (17,606)	$ (15,282)
Unamortized net actuarial gains	(549)	(290)	(839)
Accrued benefit asset (liability)	1,775	(17,896)	(16,121)
Valuation allowance	(2,230)	–	(2,230)
Accrued benefit liability, net of valuation allowance	$ (455)	$ (17,896)	$ (18,351)

Included in the accrued benefit obligation and fair value of plan assets are the following amounts in respect of plans that are not fully funded:

($ thousands)	Pension Benefit Plans	Other Benefit Plans	Total
Accrued benefit obligation	$ 15,924	$ 17,606	$ 33,530
Fair value of plan assets	8,266	–	8,266
Funded status-plan deficit	$ 7,658	$ 17,606	$ 25,264

NET BENEFIT PLAN EXPENSE-1999

($ thousands)	Pension Benefit Plans	Other Benefit Plans	Total
Current service costs	$ 1,825	$ 278	$ 2,103
Interest cost	4,935	1,178	6,113
Expected return on plan assets	(4,481)		(4,481)
Net benefit plan expense	$ 2,279	$ 1,456	$ 3,735

As a result of the divestiture of the Space Robotics business unit, the former active members no longer earn further benefit entitlements from the Company's existing pension and other benefit plans. The plan assets and accrued benefit obligations pertaining to the former active members have been assumed by the purchaser. The Company has retained pension and other benefit obligations related to retirees of the Space Robotics business unit.

9. Statements of cash flows

Cash flows from continuing operations consists of:

($ thousands)	99	98
Income from continuing operations	$ 1,189	$ 5,620
Add (deduct) items not involving cash		
Restructuring costs	11,600	–
Depreciation	3,708	2,209
Amortization of intellectual property	1,045	1,475
Amortization of goodwill	1,138	1,055
Future income tax expense (recovery)	3,789	(3,617)
Pension contributions	(420)	(807)
	$ 22,049	$ 5,935

Cash flows (used in) from discontinued operations consists of:

($ thousands)	99	98
Income and gains from discontinued operations	$ 52,445	$ 25,380
Add (deduct) items not involving cash		
Non-cash portion of gains on sale of discontinued operations	(62,249)	(1,245)
Depreciation	1,054	10,533
Amortization of goodwill	183	2,364
Pension contributions	(1,020)	–
Restructuring recovery	–	(13,000)
Costs associated with loss from discontinuance of operations	–	(18,250)
Future income tax expense (recovery)	595	(673)
Deferred pensions	–	(93)
	$ (8,992)	$ 5,016

Supplementary cash flow information ($ thousands)	99	98
Income taxes paid	$ 879	$ 4,500
Interest paid	124	940
Interest received	2,994	419

10. Other supplementary financial information

($ thousands)	99	98
Operating (loss) income	$ (1,336)	$ 8,129
Depreciation and amortization	4,753	3,684
Earnings before interest, taxes, depreciation and amortization (EBITDA)	3,417	11,813
Investment Tax Credits (ITCs)	(1,750)	(3,900)
Restructuring costs	11,600	–
EBITDA before ITCs and restructuring costs	13,267	7,913
Corporate office expenses	9,852	10,167
EBITDA before ITCs, restructuring costs, and coporate office expenses	23,119	18,080

11. Restructuring costs

1999

At year end, management approved a plan to shut down the aviation services facilities located in Pointe Claire, Quebec, and Piqua, Ohio, in an effort to consolidate product lines and streamline fixed overhead costs. In addition, the Company's corporate infrastructure will be reduced and incorporated with operations. In order to effect these changes commencing in the first quarter of 2000, a restructuring charge has been accrued at year end in the amount of $11,600,000 as follows:

($ thousands)	
Corporate office consolidation	$ 3,600
Capital assets and goodwill write-downs	3,125
Severance costs	2,400
Facilities related costs	2,000
Inventory	475
	$ 11,600

1998

In 1998, the Company recorded a $13.0 million recovery of restructuring charges representing a partial recovery of the $35.0 million restructuring provision recorded in 1996 for the Space Robotics business unit. In 1999, the balance of the restructuring provision of $19.0 million was included in the determination of the gain on the sale of the Space Robotics business unit.

12. Discontinued operations

1999

(i) Space Robotics division and Spar Operations and Engineering Corporation ("Space Robotics business")
On May 7, 1999, the Company sold the Space Robotics business for net cash proceeds of $61.7 million.

1998

(i) PRIOR Data Sciences Ltd.
On June 3, 1998, the Company sold a subsidiary Company, PRIOR Data Sciences Ltd., for cash proceeds of approximately $15.0 million.

(ii) ComStream – Satellite Global Access
On June 29, 1998, the Company sold the net assets of ComStream's Satellite Global Access business unit for cash proceeds of approximately $US 3.0 million ($CDN 4.5 million). The Satellite Global Access business unit was previously accounted for as a discontinued operation in 1997.

(iii) ComStream Corporation
On October 15, 1998, the Company sold the shares of ComStream Corporation for cash proceeds of approximately $U.S. 10.0 million ($CDN 15.5 million) and a convertible promissory note for $U.S. 7.0 million ($CDN 10.8 million) bearing 8% interest per annum. The note was repaid during 1999.

(iv) Astro Aerospace Corporation and the Satellite Products business unit

On December 21, 1998, the Company sold the shares of Astro Aerospace Corporation for $30.6 million cash. The cash, payable on closing, was received on January 15, 1999.

In December 1998, the Company adopted a formal plan of disposal for its Satellite Products business unit. On January 29, 1999, the Company completed the sale of the Satellite Products business unit for total proceeds of approximately $29.5 million subject to post closing adjustments based on working capital balances at the Satellite Products business. The proceeds consist of:

- $19.5 million cash received during 1999; and
- Two $5.0 million convertible promissory notes due December 31, 2000 and December 31, 2001.

The convertible promissory notes bear interest at 5.5% per annum and are convertible, any time, at the Company's option, into common shares of the purchaser at specified prices ranging from $U.S. 22 to $U.S. 24 per share. The notes contain certain provisions which allow the purchaser to retract the notes upon notice of conversion subject to the payment of a premium equal to 50% of the difference between the market price of the common shares, if above $U.S. 25, and $U.S. 25 per share to a maximum premium of 50% of the face value of the notes.

The results associated with discontinuance of the divested and discontinued businesses are summarized as follows:

($ thousands)	99	98
Revenues	$ 40,381	$ 123,949
Gain on divestitures and discontinuance of operations, net of tax recovery (expense) of ($11,095) (1998—$1,500)	56,226	1,245
(Loss) income from discontinued operations, net of tax (expense) recovery of $2,100 (1998—($11,137))	(3,781)	24,135

The consolidated balance sheets include the following amounts related to the discontinued operations. At December 31, 1999 and December 31, 1998, the balances relate to the Space Robotics and Satellite Products business units and PRIOR Data Sciences Ltd., ComStream, and Astro Aerospace Corporation.

($ thousands)	99	98
Accounts receivable	$ –	$ 60,084
Inventories	–	2,346
Prepaid expenses and other	–	393
Current assets of discontinued operations	$ –	$ 62,823
Capital assets, net (a)	–	20,973
Long-term investments (b)	–	14,309
Deferred development and other long-term assets	–	3,064
Long-term assets of discontinued operations	$ –	$ 38,346
Accounts payable and accrued charges	–	32,768
Customer advance payments	–	31,396
Current liabilities of discontinued operations	$ –	$ 64,164
Long-term liabilities of discontinued operations	$ –	$ 16,690

(a) Capital assets related to discontinued operations consist of the following:

($ thousands)	Cost		Accumulated Depreciation and Amortization		Net Book Value	
	99	98	99	98	99	98
Land	$ –	$ 400	$ –	$ –	$ –	$ 400
Buildings and leasehold improvements	–	19,481	–	12,713	–	6,768
Machinery and equipment	–	96,090	–	82,285	–	13,805
	$ –	$ 115,971	$ –	$ 94,998	$ –	$ 20,973

(b) Long-term investment related to discontinued operations consist of:

($ thousands)	99	98
SkyBridge LP, at cost	$ –	$ 14,309
	$ –	$ 14,309

13. Acquisition—1998

On January 29, 1998, the Company acquired substantially all of the assets of CAE Aviation Limited, an aviation services business. The acquisition was accounted for by the purchase method. The total consideration for the acquired operations was $57,500,000 cash which is summarized as follows:

($ thousands)	
Net working capital	$ 10,703
Capital and other assets	21,711
Intellectual property	4,700
Goodwill	20,386
	$ 57,500

14. Financial instruments

The carrying amounts of cash and cash equivalents, accounts receivable, notes receivable, accounts payable and accrued charges, customer advance payments and unearned revenue are considered to approximate their respective fair value.

15. Segmented information

The Company's primary focus is to provide aviation services. As a result, the Company has one reportable segment.

($ thousands)	Revenues 99	Revenues 98	Capital Assets and Goodwill 99	Capital Assets and Goodwill 98
Geographic information:				
Canada	$ 84,662	$ 90,685	$ 41,919	$ 46,041
United States	41,495	19,136	–	–
Other foreign countries	10,468	13,316	–	–
Total	$ 136,625	$ 123,137	$ 41,919	$ 46,041

Revenues are attributed to countries based on location of customer.

16. Comparative consolidated financial statements

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 1999 consolidated financial statements.

Quarterly Comparison

(unaudited, except for year-end amounts)

($ thousands, except per share amounts)	March 31		June 30		September 30		December 31		Total	
	99	98	99	98	99	98	99	98	99	98
Revenues	$ 33,948	$ 23,450	$ 36,075	$ 32,267	$ 34,365	$ 33,633	$ 32,237	$ 33,787	$ 136,625	$ 123,137
Operating profit before restructuring costs	3,295	2,166	2,596	2,063	2,958	1,901	1,415	1,999	10,264	8,129
Restructuring costs	–	–	–	–	–	–	(11,600)	–	(11,600)	–
Interest income (expense), net	827	81	1,697	(4)	1,150	(160)	1,349	50	5,023	(33)
Other (expenses) income	(291)	298	(223)	172	383	(93)	(519)	(241)	(650)	136
Income (loss) from continuing operations before income taxes and amortization of goodwill	3,831	2,545	4,070	2,231	4,491	1,648	(9,355)	1,808	3,037	8,232
Income tax (expense) recovery	(1,352)	(664)	(1,494)	(1,365)	(1,400)	(476)	3,149	589	(1,097)	(1,916)
Income (loss) from continuing operations before amortization of goodwill	2,479	1,881	2,576	866	3,091	1,172	(6,206)	2,397	1,940	6,316
Amortization of goodwill, net of tax	(195)	(132)	(181)	(188)	(187)	(188)	(188)	(188)	(751)	(696)
Income (loss) from continuing operations	2,284	1,749	2,395	678	2,904	984	(6,394)	2,209	1,189	5,620
Gain (loss) on sale of discontinued operations	–	–	51,749	2,113	3,322	(20,200)	1,155	19,332	56,226	1,245
Income (loss) from discontinued operations	1,909	(896)	(5,175)	13,130	(515)	6,224	–	5,677	(3,781)	24,135
Net income (loss)	$ 4,193	$ 853	$ 48,969	$ 15,921	$ 5,711	$ (12,992)	$ (5,239)	$ 27,218	$ 53,634	$ 31,000
Basic income (loss) per common share										
Income (loss) from continuing operations before amortization of goodwill	$ 0.17	$ 0.13	$ 0.17	$ 0.05	$ 0.21	$0.08	($ 0.41)	$ 0.16	$ 0.13	$ 0.42
Income (loss) from continuing operations	$ 0.15	$ 0.12	$ 0.16	$ 0.05	$ 0.19	$0.07	($ 0.43)	$ 0.15	$ 0.08	$ 0.38
Net income (loss)	$ 0.28	$ 0.06	$ 3.28	$ 1.07	$ 0.38	($ 0.87)	($ 0.35)	$ 1.82	$ 3.57	$ 2.08
Fully diluted income (loss) per common share										
Income (loss) from continuing operations before amortization of goodwill	$ 0.16	$ 0.13	$ 0.17	$ 0.05	$ 0.20	$ 0.08	($ 0.41)	$ 0.16	$ 0.13	$ 0.42
Income (loss) from continuing operations	$ 0.15	$ 0.12	$ 0.15	$ 0.05	$ 0.19	$ 0.07	($ 0.43)	$ 0.14	$ 0.08	$ 0.38
Net income (loss)	$ 0.27	$ 0.06	$ 3.04	$ 1.01	$ 0.36	($ 0.87)	($ 0.35)	$ 1.69	$ 3.27	$ 1.95

Corporate Governance

Spar is committed to progressive corporate governance that meets the highest standards. The Board of Directors has reviewed its approach to corporate governance and feels that it is in accordance with the guidelines set by The Toronto Stock Exchange. Following is an overview of that approach, full details of which are available in the Proxy Statement.

Spar's Board of Directors believes that sound corporate governance practices further the well-being of the Company and enhance shareholder value. The Board has in place a series of internal guidelines for the corporate governance of the Company. These guidelines are updated from time to time to respond to Spar's changing needs and developments in the prevailing corporate governance practices of public corporations.

Spar Board of Directors

The Board of Directors is responsible for the overall stewardship of the Company. The following are among the Board's key obligations: supervising Spar's officers in their management of the business and the Company's affairs; managing the Company's strategic planning process; identifying and managing risks to the Company's business; succession planning, including the appointment and appraisal of the Company's senior officers; overseeing a policy for communications by the Company with shareholders, the investment community, the media, governments, and the general public; seeing to the integrity of the Company's internal control and management information systems; developing position descriptions and terms of reference for the Board, the President and the Chief Executive Officer, and the committees of the Board.

The Board of Directors has concluded that six of the eight current directors of the Company are unrelated directors.

In addition, the Board believes that it has in place mechanisms that allow it to function independently from management of the Company. For example, Eric Rosenfeld, the Chairman of the Board, is not a member of management of the Company, and Colin Watson, the Vice-Chairman and Chief Executive Officer, and Anthony Caputo, President, are the only members of management who are members of the Board. When considered appropriate, the Board meets without members of management present.

Board Committees

Spar's Board of Directors has three standing committees: Audit; Human Resources and Social Responsibility; and Corporate Governance. Ad hoc committees are appointed to deal with special matters. The members of each standing committee are indicated in the Corporate Information, appearing on page 52. The responsibilities of those committees are described in the Statement of Corporate Governance Practices in the Company's management proxy circular for the May 15, 2000 Annual Shareholders' Meeting.

Under the internal guidelines adopted by the Board, a majority of the members of each such committee are to be unrelated directors. Under the same guidelines, the Audit Committee is to be composed entirely of directors who are not officers or employees of the Company or its affiliates; the other such committees are generally to be composed of outside directors.

Locations, Listings, and Corporate Information

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CORPORATE INFORMATION

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ANTHONY CAPUTO
President
Spar Aerospace Limited

JAMES B.C. DOAK * ■
President and Managing Partner
Enterprise Capital Management Inc.

JAMES S.A. MACDONALD †
Chairman of the Board and
Managing Partner
Enterprise Capital Management Inc.

MICHAEL E. MARTINO † ■
Managing Director
Third Point Management Co.
Principal
Crescendo Partners, L.P.

ALLAN MASS ■
Partner
Byers Casgrain

ROBERT POILE * †
President
Trident Advisors Inc.

ERIC ROSENFELD *
Chairman of the Board
Spar Aerospace Limited

COLIN D. WATSON
Vice-Chairman and
Chief Executive Officer
Spar Aerospace Limited

* Member of the Audit Committee
† Member of the Human Resources & Social Responsibility Committee
■ Member of the Corporate Governance Committee

Officers & Senior Management

ERIC ROSENFELD
Chairman of the Board

COLIN D.WATSON
Vice-Chairman and Chief Executive Officer

ANTHONY CAPUTO
President

ANTONIO FERNANDEZ-STOLL
Senior Vice-President and Chief Financial Officer

FRANK S. CALLAGHAN
Secretary

Shareholder Communications

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Annual General Meeting

May 15, 2000
10:00 a.m.
TSE Conference Centre
The Exchange Tower
130 King Street West
Toronto, Ontario
Canada M5X 1J2

Transfer Agents

Montreal Trust Company of Canada
Corporate Services Division
Stock & Bond Transfer Services
151 Front Street West
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Toronto, Ontario
Canada M5J 2N1

Stock Symbol

SPZ

Stock Exchange

Toronto

Auditors

Ernst & Young LLP

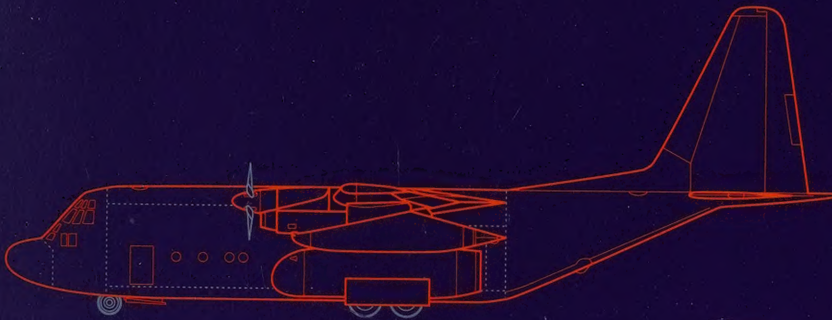
Investor Relations

Stephen McPherson
Tel: 416.682.7641

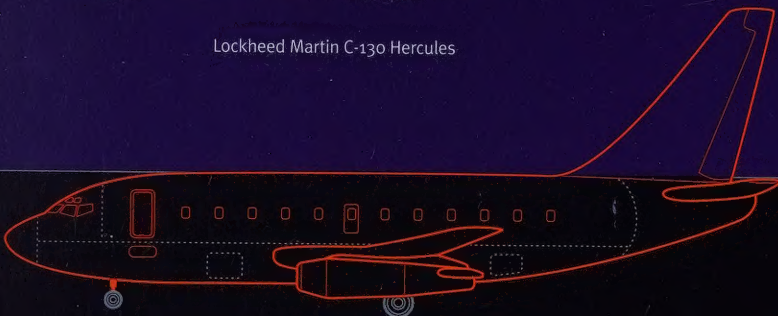
Internet Address

To find out more about Spar, visit our home page at:
http://www.spar.ca

STRATEGY AND DESIGN: FUSIONcreative www.fusioncreative.com PRINTING: Quebecor Printing MIL Inc.

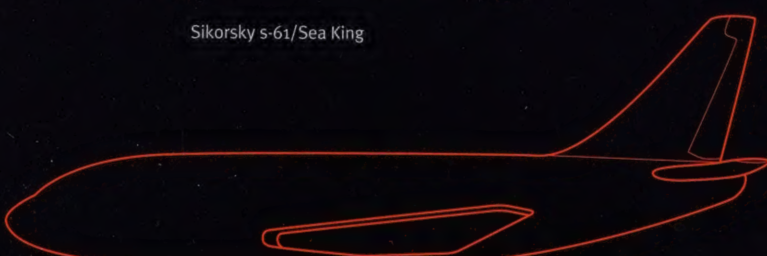


Lockheed Martin C-130 Hercules



Boeing 737

Sikorsky s-61/Sea King



Select Other Aircraft

☑ *Military* ☑ *Fixed Wing* ☑ *Commercial* ☑ *Rotary Wing*

SPAR